

The Budget Committee for the City of Junction City, met at 6:30 p.m. on Thursday, May 14, 2020, in a virtual meeting format, via internet and phone.

**PRESENT: Council Members:** Chair, Bill DiMarco; Mayor Mark Crenshaw; Councilors Sandie Thomas, Rob Stott, Andrea Ceniga, John Gambee, and Dale Rowe. **Citizen Members:** Vice Chair, Sid Washburne, Ms. Beverly Ficek; Mr. James Hukill, Mr. Jack Sumner, and Mr. Ken Wells. Excused Absence: Mr. Travis Ducker. Absent: Ms. Kara McDaniel; **Staff:** City Administrator, Jason Knope; Finance Director, Mike Crocker; Police Chief, Bob Morris; Public Works Director, Gary Kaping; HR/Admin Services Manager, Stephanie Moran; and City Recorder, Kitty Vodrup.

**1. Call to Order**

Mayor Crenshaw called the meeting to order at 6:30 p.m.

**2. Nominate Chair**

Mayor Crenshaw called for nominations for Budget Committee chair. Councilor Rowe nominated Councilor DiMarco. Committee Member Sumner nominated Committee Member Washburne. (Councilor Gambee joined the meeting).

**MOTION:** Committee Member Sumner made a motion to elect Sid Washburne as chair of the Budget Committee. The motion failed by a vote of 4 to 6, with Thomas, Washburne, Sumner, and Wells voting in favor and Stott, Gambee, Rowe, DiMarco, Hukill, and Ficek voting against.

**MOTION:** Councilor Rowe made a motion to elect Bill DiMarco as chair of the Budget Committee. The motion passed by a vote of 6 to 4, with Stott, Gambee, Rowe, DiMarco, Hukill, and Ficek voting in favor and Thomas, Washburne, Sumner, and Wells voting against.

(Councilor Ceniga joined the meeting). Councilor Rowe asked if they could nominate a Vice Chair. Chair DiMarco nominated Councilor Rowe as Vice Chair. Councilor Rowe respectfully declined.

**MOTION:** Councilor Rowe made a motion to nominate Sid Washburne as Vice Chair of the Budget Committee. The motion was seconded by Committee Member Sumner and passed by unanimous vote of the Committee.

**3. Approval of Minutes – January 16, 2020**

Councilor Thomas said that a comment she had made had been left out of the minutes, and she was not sure if it should be in there or not. It was the Committee consensus to have Recorder Vodrup follow up with Councilor Thomas and bring these back for consideration.

**4. Public Comment**

None.

**5. Public Hearing on the Possible Uses of State Revenue Sharing**

Chair DiMarco opened the public hearing.

**Staff Report**

Director Crocker stated that this was the first of two hearings required by the state. There was information in Section 4 of the Budget Reference document about the State Shared Revenues, which was a significant revenue source for the City and included gas, liquor, and cigarette taxes. The Council would later be required to pass a resolution certifying that the City was qualified to receive those funds. No action was required by the Budget Committee.

**Public Testimony**

None.

**Questions/Comments from the Budget Committee**

Committee Member Sumner asked about a bus that was donated to the Police Department. It was noted that State Shared Revenue funds would not be used for the bus and that Committee Member Sumner could ask his question later in the meeting.

Committee Member Sumner asked if only the Council decided on the use of State Revenue Sharing. Chair DiMarco responded that his understanding was that the Budget Committee had input as to how it was formulated in the document.

Chair DiMarco closed the public hearing.

**6. Presentation of Budget Message**

Administrator Knope presented an overview of the Budget Message. No significant changes in operations this year and not adding any new staff. With not filling the part time electrical inspector position, some hours were added to the plumbing inspector position, but this ended up being a net decrease in overall FTE (full time equivalent) for the City. Did not anticipate any major increases in expenses. City was in the 2<sup>nd</sup> year of the two-year cycle for PERS rates, so would not see an additional increase in PERS until next fiscal year. The COVID-19 pandemic happened late in the budget season and no adjustments had been made to the budget, as it was unknown what the impacts could be going forward. As part of the presentations, staff would be making some suggestions and recommendations for Committee to consider. The budget included putting funds into reserves, as they did every year, as well as each department living within their bucket system (expenditures not exceeding revenue). This was the first year that the Library would be in compliance with the City's budget policies, and the Police Department was making ground this year on getting to where they needed to be. Overall things looked good going forward.

Councilor Rowe asked the philosophical question of the consequences of budgeting revenue or expenses too high or too low. Administrator Knope responded that if they budgeted revenue too high and it came in lower than anticipated, they would end up making adjustments or cuts in the year to try and match expenses to revenue. If they budgeted revenue too low and made front end cuts, they could end up in the middle of the year doing better than anticipated and trying to restore things. If they budgeted expenses too high, it did not impact the budget, meaning that just because it was there did not mean that it needed to be spent; since the implementation of the bucket system, there was no incentive for the department to have to spend it or lose it. Conversely, if they budgeted expenses too low, there would only be so much of a change that could be made during the year and they would have to have something to offset it like additional and/or unexpected revenues to be

able to increase expenses. If they budgeted expenses too low, it could end up preventing the City from providing a service in the year.

It was noted that agenda items 7 and 8 would be switched.

## 7. Overview of Proposed Budget Document and Assumptions

Director Crocker provided an overview of the budget document and assumptions:

- Page 2 – City received the 1<sup>st</sup> ever Distinguished Budget Presentation Award from GFOA (Government Finance Officers Association).
- Page 9 – Budget Calendar. Would update it for the adopted document.
- Page 27 – Property Tax Charts. Have collected 99% so far for the FY 19-20 budget year. Normally budgeted 4% increase for taxes, but they came in higher at 6.73%.
- Page 28 – Received a PERS actuary report in December and the City's rates went down by 2 to 4%, so the rate increases would not be as bad as originally thought.
- Page 29 – Reserve and Ending Fund Balance. Showed a measure of health because there was an increase across all fund and departments.
- Page 34 – Five Year Forecast Assumptions. AFSCME and Non-Represented set for a COLA (Cost of Living Increase) of 2% and Police Association of 2.5%. Minimum wage going up by 6.3%, which would affect seasonal pool employees and a few parks staff. Budgeted 6% increase in health insurance, 1% increase in Dental (CIS issued a statement a few weeks ago that since routine dental services had not been available, the board had approved a rate decrease of 8% for cities, which would be about \$5,000 citywide); General Liability/Property/Auto Insurance budgeted at 7% increase. Total budget appropriations were \$17,692,000.
- Page 40 – Revenue by Source Chart. Property taxes were 23% of all revenues and sales and services were 41%.
- Page 43 – Street Fund was getting 40% of franchise fees this year. That amount increased by 10% each year.
- Page 56 – The City had no outside debit and only had two interfund loans for water projects. The balance of those loans was \$466,000; started at 1.1 million.
- Page 268 – List of positions, salary ranges and comparative FTEs by year.
- Section 7 – The new fiscal policy for accumulated fund balance was included.
- Governor's Executive Order was included that covered public meetings and the budget process. Cities could adopt their budgets after June 30<sup>th</sup>, if needed.

## 8. Future Meeting Dates

The Committee consensus was that the next Budget Committee meeting would be held on Thursday, May 21, 2020 at 6:30 p.m.

## 9. Overview Presentation

Administrator Knope asked what order the Committee would like to see the departmental presentations. He added that if there were bigger picture questions that the Committee would like answers to, staff could bring that information back to the Committee.

The Committee consensus was to begin next week with the Public Works presentation. It was noted that staff was happy to answer any questions between meetings.

Chair DiMarco opened the floor for Committee questions and comments.

Mayor Crenshaw stated that this was not a forum for debate, yet simply just to make some general statements. The community at large was interested in the police services portion of budget, and he thought it would be a good idea to handle that later when they were more versed in the budget document.

Committee Member Sumner asked where the maintenance and equipment would be in the budget document for the bus that was donated to the Police Department. Administrator Knope responded that would probably fall under Internal Services and some could be in public safety, so this could be answered during those department presentations.

Chair DiMarco noted that there would be General Fund discussion about Court, Finance, General Administration, Internal Services, and Community Services. At next week's meeting, the Committee would decide what would be covered on the following Thursday.

Councilor Rowe stated that a philosophical point was they looked at a 4.6% increase in revenue and a 3% increase in expenses in this budget. In light of the current economic situation, he wondered if the Committee wanted to make the general assumption that they were good with the current numbers or if they wanted to tear the budget apart and look more closely at line items.

Administrator Knope responded that if the Committee wanted to take the budget apart, staff would be happy to do that, but if they started lowering revenue based on some sort of methodology, then the question would be how much did the Committee want to stick to the Rowe Doctrine. If they started lowering percentages of revenue, they would have to start looking at ways to cut expenses to maintain that doctrine, which may lead to service level impacts. The state was looking at 10% cuts, but Junction City was not funded by income tax like the state and was funded by property taxes; thus, the City would not see potential impacts until calendar year 2021. Staff recommended staying with the current budget and not making any large assumptions. The Budget Committee could meet quarterly and make any needed adjustments in the middle of the year when they had a clearer picture of what was going on. That said, if the Committee would rather work on budget adjustments now, staff would be happy to do that, but there were not a lot of divisions in the City that would have the ability to absorb a 10% cut, using the state's number as an example.

Councilor Rowe stated that was what he was hoping to hear, as he thought it would be difficult from a Committee point of view to pick a number of where they were going to be. He thought Administrator Knope's advice was prudent and they could use that as their guide. If they found something that looked out of line, they could adjust that at each Committee meeting, but he thought they could trust the overall budget and when the Committee met quarterly, they could make adjustments at that point.

Administrator Knope noted that there was approximately 2.7 million dollars in the General Fund Unappropriated Ending Fund Balance, which was a lot better than a number of communities. This gave the City of Junction City a little bit of flexibility to be able to wait and see without significantly hurting anything they were doing today.

Councilor Rowe expressed that he was in agreement with that and would like to hear from other Committee members.

Committee Member Hukill stated that he would like to wait and see until they were further in, before taking a direction.

Councilor Ceniga stated that she agreed and thought they should wait.

Committee Member Wells stated that he heard the state was looking at 17% cuts across the board and the county and school district were going to have to make cuts because of state funding. He thought it would be good if the Committee knew what moneys the City received from the state that might affect the City budget. He added that with a high unemployment rate, some people would be unable to pay their property taxes. He thought they owed it to the citizens to budget realistically and look at this with their eyes wide open.

Chair DiMarco noted that Director Crocker had presented a document to the Finance and Judiciary Committee that showed the potential revenue impacts that Committee Member Wells was talking about. This could be provided to Committee members and discussed in an upcoming meeting.

Councilor Thomas stated that they should start doing something now, because they did not know how much the pandemic was going to affect them, especially in property taxes. She thought they should tighten their belts now and agreed that there were concerns in spending the City's money.

Committee Member Ficek agreed that they should keep a close eye on the budget, and nobody knew exactly what was going to happen. She thought that staff had done a good job of preparing this document and would take all that was being said to make any additional changes if needed.

Chair DiMarco noted that Administrator Knope had asked a question that had not been answered. If the Committee wanted to tighten the belt, how far did they want to tighten? Because they budgeted efficiently, any significant reduction would result in personnel being furloughed or laid off.

Councilor Thomas responded that what she meant by tighten your belt was to look at the monthly expenditures. If everyone tightened and slid the credit card less, it would save a couple thousand here and there and that all helped. It did not have to be a 10% cut across the board, but any savings would help.

Chair DiMarco stated that it might be good to have staff bring back some hard numbers on how a 10% cut would impact personnel and services; this was something they had done in the past.

Councilor Ceniga noted that when she said to wait, she did not mean to wait a whole year to see how this would turn out. They were early into the shut down and did not yet know the long term of how this would affect them. She thought they should do what they were doing at home and be tighter with money and watch their spending. Maybe after a period of time

they would have a better picture of impacts. She did not want to see any of the City employees lose their jobs, because the City was not careful about the money. If they spent less, it might help save somebody a job.

Committee Member Ficek suggested that the Budget Committee meet more often than quarterly, so they could more closely examine the numbers.

Chair DiMarco noted that the Finance and Judiciary Committee had talked about building more into contingency, as a way to have savings in case they were needed. He noted that the City had done this over the last few years, as a back up for a few departments that were in flux.

Administrator Knope asked if the Committee wanted staff to prepare information on reducing expenses by 5/10/15% for each department?

Chair DiMarco responded that they would go through the department budgets in a couple of nights and see what the baseline was. Hearing no objections from the Committee, he encouraged staff to think along those lines and to also be thinking along the lines of flexibility in the budgeting.

Committee Member Ficek stated that she did not feel they should look at 5/10/15% cuts but should look at something more realistic for Junction City. She thought they could look at impacts of a 2 or 3% cut, but not any more than that.

Chair DiMarco noted that in addition to the 2.7 million dollars in the General Fund Unappropriated Ending Fund Balance, there were also funds in the Revolving Loan Fund (RLF) that could be tapped for emergencies. He noted that he was not advocating for using these but was sharing options for Committee information.

Councilor Ceniga stated that she felt they needed to hold onto their reserves right now. She felt they needed to look at what their wants were and what their needs were and what did they need to do to maintain the services that they currently offer.

Chair DiMarco noted that as a Committee member, he agreed with Councilor Ceniga, but as Chair, he needed to point out that dipping into reserves rather than laying off people and reducing services, was an option for the City to consider.

Councilor Ceniga responded that she did not want to see anybody laid off or let go but was just thinking about figuring out a way to spend less and look at things like did they need the PD bus right now? How much would it cost to fund it? Did Public Works need a new piece of equipment or could they rent something? She thought they needed to take a bigger picture look at wants and needs.

Administrator Knope noted that something to keep in mind was that the revenue impacts they were going to see would impact the operating funds and not the capital funds. So Public Works buying a truck out of their capital fund would not save a Public Works job. Staff had worked really hard over the last several years to get those capital expenses out of the operating fund, for just this kind of situation.

Chair DiMarco stated as had been done for many years, they practiced what Councilor Ceniga was talking about as good budgeting practices. He added that as chair, his job was to let the Committee know all the options and have a chance to discuss them thoroughly. He may not advocate for a certain position but wanted the Committee to have the full picture.

Councilor Thomas stated that she thought the RLF could only be used for that specific purpose. Chair DiMarco responded that legal counsel had advised the City many years ago that the funds could be used for other purposes, if desired. He noted that the City had borrowed money for an interfund loan from that fund. He added that he had stopped the funds from being used for other purposes in the past.

Committee Member Sumner expressed agreement with what had been said and had always been in the budget business to get folks what they needed and not always what they wanted. As Administrator Knope had mentioned, they had things on the capital side that were on their wants list and would not affect the General Fund. They also had things in the General Fund that they could take a look at. He asked if the COLAs were a hard and fast thing. Administrator Knope responded that the City was obligated to provide the COLAs, per the AFSCME Union and Police Association contracts. The only one that could be changed or withheld at the discretion of the Council was the Non-Represented positions.

Mayor Crenshaw stated that the citizen members of the Budget Committee not only provided a service on the budget but also provide a barometer to the Council on policies. He thought they needed to think about the services that the City of Junction City wanted to provide and to have in the community. Because of its level of services, Junction City had the feel of a City rather than a small rural town and was able to do that through frugality. He agreed about the importance of being frugal, but at the same time they needed to be careful not to cut services that make Junction City a better place to live. He would be an advocate of recognizing that today was a rainy day and of using some of the reserves in order to maintain the services that they had. If anybody wanted to suggest that the City had services that they no longer needed, he hoped to hear those comments, but simply cutting for the sake of saving money did not serve the public for this Committee's purpose.

**10. Other Business**

None.

**11. Recess**

As there was no further business, the meeting was recessed at 8:26 p.m.

ATTEST:

APPROVED:

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Kitty Vodrup, City Recorder

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Bill DiMarco, Chair